

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04

SIL-01 PA-02 PRS-01 AGR-10 AGRE-00 /106 W

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 1076

UNCLAS OTTAWA 3735

E.O. 11652: N/A

TAGS: EFIN, ETRD, CA

SUBJ: SECOND QUARTER CANADIAN BALANCE OF PAYMENTS

1. STATISTICS CANADA RELEASED ON SEPTEMBER 16 DATA ON CANADIAN BALANCE OF PAYMENTS FOR 1976 SECOND QUARTER, SHOWING IMPROVEMENT IN CURRENT ACCOUNT DEFICIT AND SLOWDOWN IN NET CAPITAL INFLOW. FOR SECOND QUARTER, SEASONALLY ADJUSTED CURRENT ACCOUNT DEFICIT WAS C\$1,258 MILLION, DOWN FROM FIRST QUARTER DEFICIT OF C\$1,376 MILLION. NOT SEASONALLY ADJUSTED, CURRENT ACCOUNT DEFICIT WAS C\$1,193 MILLION VERSUS C\$1,944 MILLION IN FIRST QUARTER.

2. SWING OF C\$314 MILLION IN SEASONALLY ADJUSTED BALANCE OF MERCHANDISE TRADE (FROM DEFICIT OF C\$202 MILLION IN FIRST QUARTER TO SURPLUS OF C\$112 MILLION IN SECOND) WAS CHIEFLY RESPONSIBLE FOR IMPROVED CURRENT ACCOUNT FIGURE. HOWEVER, SERVICE ACCOUNT DEFICIT INCREASED FROM C\$1,349 MILLION TO C\$1,457 MILLION, WITH INCREASE IN INTEREST AND DIVIDEND PAYMENTS (LARGELY AS RESULT OF PAYMENTS ON FOREIGN HELD DEBT ISSUES) FROM C\$457 MILLION TO C\$605 MILLION.

3. NOT SEASONALLY ADJUSTED, MERCHANDISE TRADE SURPLUS WAS C\$122 MILLION IN SECOND QUARTER, VERSUS DEFICIT OF UNCLASSIFIED

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C\$3429 MILLION IN FIRST QUARTER. BALANCE ON GOODS AND

SERVICES WAS DEFICIT OF C\$1,313 MILLION, VERSUS DEFICIT OF C\$2,046 MILLION IN FIRST QUARTER.

4. ON CAPITAL ACCOUNT, TOTAL NET CAPITAL BALANCE FOR SECOND QUARTER WAS SURPLUS OF C\$1,365 MILLION, DOWN FROM C\$2,447 MILLION IN FIRST QUARTER, AND CANADA'S OFFICIAL RESERVES ROSE BY C\$172 MILLION. DIRECT INVESTMENT IN CANADA INCREASED TO C\$35 MILLION FROM C\$15 MILLION IN FIRST QUARTER, AND CANADIAN DIRECT INVESTMENT ABROAD INCREASED FROM C\$80 MILLION TO C\$140 MILLION. NEW CANADIAN SECURITY ISSUES ABROAD DROPPED FROM C\$2,990 MILLION IN FIRST QUARTER TO C\$1,878 MILLION IN SECOND.

5. IN CANADA'S BILATERAL ACCOUNT WITH U.S., CURRENT ACCOUNT DEFICIT (NOT SEASONALLY ADJUSTED) WAS C\$1,083 MILLION, DOWN FROM C\$1,358 MILLION IN FIRST QUARTER. CANADA HAD MERCHANDISE TRADE SURPLUS OF C\$53 MILLION (VERSUS DEFICIT OF C\$185 MILLION IN FIRST QUARTER), AND GOODS AND SERVICES TRANSACTIONS WERE IN DEFICIT BY C\$1,108 MILLION, VERUS C\$1,379 MILLION IN FIRST QUARTER.

6. DIRECT INVESTMENT IN CANADA BY U.S. WAS C\$22 MILLION, VERSUS C\$21 MILLION IN FIRST QUARTER, AND CANADIAN DIRECT INVESTMENT IN U.S. WAS C\$2 MILLION, VERSUS C\$24 MILLION. NEW SECURITY ISSUES BY CANADIANS IN U.S. DROPPED FROM C\$2,007 MILLION IN FIRST QUARTER TO C\$913 MILLION, AND TOTAL NET CAPITAL BALANCE WITH U.S. WAS IN SURPLUS BY C\$876 MILLION, VERSUS C\$1,521 MILLION SURPLUS IN FIRST QUARTER.  
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